

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Casnovia Township	County Muskegon
Audit Date 3/31/05	Opinion Date 7/18/05	Date Accountant Report Submitted to State: September 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature 		Date 9-29-05	

CASNOVIA TOWNSHIP, MUSKEGON COUNTY

CASNOVIA, MICHIGAN

MARCH 31, 2005

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

MARCH 31, 2005

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CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

MARCH 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

July 18, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Casnovia Township
Muskegon County
Casnovia, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Casnovia Township, Muskegon County, Casnovia, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Casnovia Township, Muskegon County, Casnovia, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on pages 21 and 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Casnovia Township, Muskegon County, Casnovia, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Casnovia Township, a general law township located in Muskegon County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Casnovia Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$607,229. Of this amount, \$195,934 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$366,735. About 53% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Casnovia Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$607,229 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Casnovia Township
Net Assets as of March 31, 2005

	Governmental Activities
Assets	
Current Assets	\$ 405,024
Non Current Assets	
Capital Assets	836,332
Less: Accumulated Depreciation	596,336
Total Non Current Assets	239,996
Total Assets	\$ 645,020
Liabilities	
Current Liabilities	\$ 37,791
Net Assets	
Invested in Capital Assets	239,996
Restricted for Specific Purposes	171,299
Unrestricted	195,934
Total Net Assets	607,229
Total Liabilities and Net Assets	\$ 645,020

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2005. Other liabilities are minimal as of March 31, 2005.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

**Casnovia Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005**

	Governmental Activities
<hr/>	
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 44,045
Capital Grant and Contributions	2,230
General Revenues	
Property Taxes	137,178
State Shared Revenue	181,633
Unrestricted Investment Earnings	1,939
Other	<hr/> 6,702
Total Revenues	\$ <hr/> 373,727
<u>Expenses</u>	
Legislative	\$ 27,209
General Government, Administrative	93,131
Public Safety	86,220
Public Works	59,271
Community and Economic Development	9,612
Recreational and Cultural	684
Other Functions	28,020
Unallocated Depreciation	<hr/> 33,249
Total Expenses	<hr/> 337,396
Changes in Net Assets	36,331
NET ASSETS – Beginning of Year	<hr/> 570,898
NET ASSETS – End of Year	\$ <hr/> <hr/> 607,229

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$36,331 or 6% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Casnovia Township comes from property taxes and state shared revenue. The Township levied 1.0978 mills in property tax for operating purposes.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 28% of total expenses. The Township spent \$93,131 in fiscal year 2005 on General Administrative expenses. Public Safety represented the next largest expense at \$86,220, or 26% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$99,023. Depreciation expense added another \$33,249.

Financial Analysis of the Government's Funds

Governmental Funds – The focus of Casnovia Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Casnovia Township's governmental funds reported combined ending fund balances of \$366,735. Approximately 53%, or \$195,436 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for building inspections must be used for expenditures that relate to building inspections.

General Fund – The General Fund decreased its fund balance by \$13,190 which brings the fund balance to \$98,576. The General Fund's fund balance is unreserved. All of the General Fund's functions, except for the Other Functions, ended the year with expenditures below budgeted amounts. The Other Functions differential was funded by available fund balance. Property taxes amounted to \$60,682. State shared revenues were collected in the amount of \$178,327.

Fire Equipment Fund – The Fire Equipment Fund increased its fund balance by \$54,690 which brings the fund balance to \$162,360. This balance is reserved and must be used for fire equipment. Property taxes collected amounted to \$54,149.

Fire Building Fund – The Fire Building Fund increased its fund balance by \$3,556 which brings the fund balance to \$10,433. This increase was due to the general fund transferring in \$3,508.

Public Improvement Fund – The Public Improvement Fund increased its fund balance by \$886 which brings the fund balance to \$86,427. Interest earnings of \$886 were the only revenues.

Building Department Fund – The Building Department Fund increased its fund balance by \$5,814 which brings the fund balance to \$8,939. This balance is reserved and must be used for building inspections. Charges for permits amounted to \$29,598.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental as of March 31, 2005 amounted to \$239,996 net of accumulated depreciation. The total net increase in the Townships investment in capital assets for the current fiscal year was 2.74% or \$22,326.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

		Casnovia Township	
		Capital Assets as of March 31, 2005	
			Governmental Activities
Land and Land Improvements	\$		3,505
Buildings			114,296
Equipment, Furniture and Fixtures			718,531
			<hr/> 836,332
Less Accumulated Depreciation			<hr/> 596,336
Net Capital Assets	\$		<u>239,996</u>

Major capital asset events during the current fiscal year included the following:

- Re-roofed the fire building.

Long-Term Debt. Casnovia Township has no obligation for any long-term debt as of March 31, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2005-06 fiscal year. A fire millage was once again levied for the 2005 tax roll.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Casnovia Township at 245 Canada Road, Casnovia, MI 49318.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 361,986
Receivables	
Taxes	14,928
External Party (Fiduciary Fund)	1,028
Due from Other Governments	<u>27,082</u>
Total Current Assets	<u>\$ 405,024</u>
<u>CAPITAL ASSETS</u>	
Land	\$ 3,005
Land Improvements	500
Buildings	114,296
Equipment, Furniture and Vehicles	<u>718,531</u>
	836,332
Less Accumulated Depreciation	<u>596,336</u>
Net Capital Assets	<u>\$ 239,996</u>
TOTAL ASSETS	<u>\$ 645,020</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 35,226
Payroll Taxes and Withholdings	<u>2,565</u>
Total Current Liabilities	<u>\$ 37,791</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 239,996
Restricted for Fire Equipment	162,360
Restricted for Building Inspections	8,939
Unrestricted	<u>195,934</u>
TOTAL NET ASSETS	<u><u>\$ 607,229</u></u>

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES	
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 27,209	\$ 0	\$ 0	\$ 0	\$	(27,209)
General Government, Administrative	93,131	44,045	0	2,230		(46,856)
Public Safety	86,220	0	0	0		(86,220)
Public Works	59,271	0	0	0		(59,271)
Community and Economic Development	9,612	0	0	0		(9,612)
Recreation and Cultural	684	0	0	0		(684)
Other Functions	28,020	0	0	0		(28,020)
Unallocated Depreciation	33,249	0	0	0		(33,249)
Total Governmental Activities	<u>\$ 337,396</u>	<u>\$ 44,045</u>	<u>\$ 0</u>	<u>\$ 2,230</u>		<u>(291,121)</u>
<u>GENERAL REVENUES</u>						
Property Tax						137,178
State Shared Revenue						181,633
Unrestricted Investment Earnings						1,939
Other						6,702
Total General Revenues						<u>327,452</u>
Change in Net Assets						36,331
<u>NET ASSETS</u> - Beginning of Year						<u>570,898</u>
<u>NET ASSETS</u> - End of Year					\$	<u>607,229</u>

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY

CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2005

	GENERAL FUND	FIRE EQUIPMENT FUND	FIRE BUILDING FUND
<u>ASSETS</u>			
Cash	\$ 100,023	\$ 156,203	\$ 10,433
Taxes Receivable	14,928	0	0
Due from Other Governments	27,082	0	0
Due from Other Funds	1,028	6,157	0
Total Assets	143,061	162,360	10,433
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 35,226	\$ 0	\$ 0
Payroll Taxes and Withholdings	2,565	0	0
Deferred Revenue	498	0	0
Due to Other Funds	6,196	0	0
Total Liabilities	44,485	0	0
<u>FUND BALANCE</u>			
Reserved for:			
Fire Equipment	\$ 0	\$ 162,360	\$ 0
Building Inspections	0	0	0
Unreserved			
Designated for:			
Fire Buildings	0	0	10,433
Public Improvement	0	0	0
Undesignated	98,576	0	0
Total Fund Balance	98,576	162,360	10,433
TOTAL LIABILITIES AND FUND BALANCE	\$ 143,061	\$ 162,360	\$ 10,433

The accompanying notes are an integral part of the financial statements.

PUBLIC IMPROVEMENT FUND	BUILDING DEPARTMENT FUND	TOTALS
\$ 86,427	\$ 8,900	\$ 361,986
0	0	14,928
0	0	27,082
0	39	7,224
86,427	8,939	411,220

\$ 0	\$ 0	\$ 35,226
0	0	2,565
0	0	498
0	0	6,196
0	0	44,485

\$ 0	\$ 0	162,360
0	8,939	8,939
0	0	10,433
86,427	0	86,427
0	0	98,576
86,427	8,939	366,735

\$ 86,427	\$ 8,939	\$ 411,220
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The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balance for Governmental Funds	\$	366,735
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	3,005	
Land Improvements		500	
Buildings		114,296	
Equipment, Furniture and Vehicles		718,531	
Accumulated Depreciation		<u>(596,336)</u>	239,996

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds

Deferred Revenue - Personal Property Taxes Receivable		<u>498</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>607,229</u></u>
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The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY

CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE EQUIPMENT FUND	FIRE BUILDING FUND
<u>REVENUES</u>			
Taxes	\$ 82,531	\$ 54,149	\$ 0
State Grants	181,633	0	0
Federal Grants	2,230	0	0
Charges for Services	14,447	0	0
Interest and Rents	405	541	48
Other Revenues	6,702	0	0
Total Revenues	287,948	54,690	48
<u>EXPENDITURES</u>			
Legislative	27,209	0	0
General Government	93,131	0	0
Public Safety	79,745	0	0
Public Works	59,271	0	0
Community and Economic Development	9,612	0	0
Recreation and Cultural	684	0	0
Other Functions	28,020	0	0
Total Expenditures	297,672	0	0
Excess (Deficiency) of Revenues Over Expenditures	(9,724)	54,690	48
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	42	0	3,508
Operating Transfers Out	(3,508)	0	0
Total Other Financing Sources (Uses)	(3,466)	0	3,508
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(13,190)	54,690	3,556
<u>FUND BALANCE</u> - Beginning of Year	111,766	107,670	6,877
<u>FUND BALANCE</u> - End of Year	\$ 98,576	\$ 162,360	\$ 10,433

The accompanying notes are an integral part of the financial statements.

PUBLIC IMPROVEMENT FUND	BUILDING DEPARTMENT FUND	TOTALS
\$ 0	\$ 0	\$ 136,680
0	0	181,633
0	0	2,230
0	29,598	44,045
886	59	1,939
0	0	6,702
886	29,657	373,229
0	0	27,209
0	0	93,131
0	23,801	103,546
0	0	59,271
0	0	9,612
0	0	684
0	0	28,020
0	23,801	321,473
886	5,856	51,756
0	0	3,550
0	(42)	(3,550)
0	(42)	0
886	5,814	51,756
85,541	3,125	314,979
\$ 86,427	\$ 8,939	\$ 366,735

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 51,756
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(33,249)
Capital Outlay	17,326
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds	
Deferred Revenue - Personal Property Taxes Receivable	<u>498</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 36,331</u></u>

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,028
	<hr/>
<u>LIABILITIES</u>	
Due to General Fund	\$ 1,028
	<hr/>

The accompanying notes are an integral part of the financial statements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Casnovia Township is a general law township located in Muskegon County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Casnovia Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Equipment Fund* accounts for revenue sources that are legally restricted to expenditure for fire equipment.

The *Fire Building Fund* accounts for revenue sources that are designated for expenditures for fire building.

The *Public Improvement Fund* accounts for revenue sources that are designated for expenditures for public improvements.

The *Building Department Fund* accounts for revenue sources that are legally restricted to expenditure for township buildings

Additionally Casnovia Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

- I. The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

In accordance with Public Act 20 of the Public Acts of 1943, as amended, the investment policy adopted by the Township allows the surplus funds of Casnovia Township to be invested as follows:

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

- a) Bonds, securities, and other obligations of the United States with full faith and credit of the United States Government.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Bankers' acceptances of United States banks.
- e) Mutual funds registered under the investment company act of 1940, maintain a \$1.00 per share net asset value.
- f) Investment pools organized under the Surplus Funds Investment Pool Act, 1985 PA 367, 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County school taxes and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Casnovia Township totaled \$55,276,259, on which ad valorem taxes levied consisted of 1.0978 mills for Casnovia Township operating purposes. The levy raised approximately \$60,682 for operating purposes. Also, the Township levied .9796 mills for fire equipment. This levy raised approximately \$54,159 for future fire equipment purchases.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as required.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements	20
Land improvements	20
Equipment and Furniture	5-10

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 30, 2004 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
Other Functions	\$ 26,700	\$	28,020
Building Department Fund			
Public Safety	\$ 23,551	\$	23,801

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Valley Ridge Bank, Kent City. At year-end, the carrying amount of the Township's deposits was \$363,014 and

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

the bank balance was \$367,162. Of the bank balance, \$182,165 was covered by Federal depository insurance and \$184,997 was uninsured and uncollateralized.

The Township's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

Category 1 - Investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank), or agent in the Township's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker, dealer, or agent but not in the Township's name.

The Township does not have any investments subject to classification.

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying amount of Deposits	\$ <u>363,014</u>
Government-wide Statement of Net Assets	
Cash	\$ 361,986
Fiduciary Net Assets	
Cash	<u>1,028</u>
Total	\$ <u>363,014</u>

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 14,928

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year the various components of deferred revenue and unearned revenue reported in the governmental fund were as follows:

	<u>DEFERRED REVENUE</u>
	<u>Unavailable</u>
Delinquent property taxes receivable (General Fund)	\$ 498

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 3,005	\$ 0	\$ 0	\$ 3,005
Capital assets, being depreciated				
Buildings	100,001	14,295	0	114,296
Land Improvements	500	0	0	500
Machinery and equipment	710,500	8,031	0	718,531
Total capital assets, being depreciated	811,001	22,326	0	833,327
Less accumulated depreciation for:				
Buildings	20,621	2,121	0	22,742
Land Improvements	237	25	0	262
Machinery and equipment	542,229	31,103	0	573,332
Total accumulated depreciation	563,087	33,249	0	596,336
Total capital assets, being depreciated, net	247,914	(10,923)	0	236,991
Governmental activities capital assets, net	\$ 250,919	\$ (10,923)	\$ 0	\$ 239,996

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 Unallocated Depreciation \$ 33,249

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
Primary Government Only Due From/To Other Funds:		
General Fund		
Fire Equipment	\$ 0	\$ 6,157
Building Department	0	39
Current Tax	1,028	0
Fire Equipment		
General Fund	6,157	0
Building Department		
General Fund	39	0
Current Tax		
General Fund	0	1,028
Total Primary Government	\$ 7,224	\$ 7,224

Interfund transfers as of March 31, 2005, were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 42	\$ 3,508
Fire Equipment	3,508	0
Building Department	0	42
Total Primary Government	\$ 3,550	\$ 3,550

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At March 31, 2005, the Township was not obligated for any long-term debt.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Fire Equipment	
Equipment	\$ 162,360
Building Department Fund	
Building Inspection	8,939
	<hr/>
Total	\$ 171,297
	<hr/>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers Township officers which elect to be covered. Township contributions to the plan for 2004-2005, amounted to \$14,500. In addition, the Township paid account fees and charges of \$1,128. For the 2004-2005 year, total covered payroll amounted to \$69,134 and total wages including non-covered was \$99,023.

C. Property Taxes

The Township levied 1.0978 mills in tax on state taxable value of \$55,276,259 on the 2004 tax roll. Also, the Township levied a .9796 mill for fire equipment.

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Total Taxes Levied:	
General Operations	\$ 60,682
Fire Building	<u>54,149</u>
	\$ <u><u>114,831</u></u>

D. Interest Income and Expense

For the year ended March 31, 2005 interest income and expense was as follows:

	Interest	
	Income	Expense
General Fund	\$ 405	\$ 0
Road Equipment Fund	541	0
Fire Building Fund	48	0
Public Improvement Fund	886	0
Building Department Fund	<u>59</u>	<u>0</u>
TOTAL	\$ <u><u>1,939</u></u>	\$ <u><u>0</u></u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				FIRE EQUIPMENT FUND				FIRE BUILDING FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>												
Taxes	\$ 86,500	\$ 86,500	\$ 82,531	\$ (3,969)	\$ 52,000	\$ 52,000	\$ 54,149	\$ 2,149	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	181,000	181,000	181,633	633	0	0	0	0	0	0	0	0
Federal Grants	0	0	2,230	2,230	0	0	0	0	0	0	0	0
Charges for Services	15,100	15,100	14,447	(653)	0	0	0	0	100	1,000	0	(1,000)
Interest and Rents	500	500	405	(95)	300	300	541	241	50	50	48	(2)
Other Revenues	9,000	9,000	6,702	(2,298)	0	0	0	0	0	0	0	0
Total Revenues	292,100	292,100	287,948	(4,152)	52,300	52,300	54,690	2,390	150	1,050	48	(1,002)
<u>EXPENDITURES</u>												
Legislative	34,600	34,800	27,209	7,591	0	0	0	0	0	0	0	0
General Government	94,640	97,140	93,131	4,009	0	0	0	0	0	0	0	0
Public Safety	65,600	80,600	79,745	855	0	0	0	0	0	0	0	0
Public Works	126,050	126,050	59,271	66,779	0	0	0	0	0	0	0	0
Community and Economic Development	11,100	11,100	9,612	1,488	0	0	0	0	0	0	0	0
Recreation and Cultural	1,000	1,000	684	316	0	0	0	0	0	0	0	0
Other Functions	26,700	26,700	28,020	(1,320)	0	0	0	0	0	0	0	0
Contingency	10,000	10,000	0	10,000	0	0	0	0	0	0	0	0
Total Expenditures	369,690	387,390	297,672	89,718	0	0	0	0	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	(77,590)	(95,290)	(9,724)	85,566	52,300	52,300	54,690	2,390	150	1,050	48	(1,002)
<u>OTHER FINANCING SOURCES (USES)</u>												
Operating Transfers In	0	0	42	42	0	0	0	0	0	3,508	3,508	0
Operating Transfers Out	0	(3,508)	(3,508)	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	(3,508)	(3,466)	42	0	0	0	0	0	3,508	3,508	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(77,590)	(98,798)	(13,190)	85,608	52,300	52,300	54,690	2,390	150	4,558	3,556	(1,002)
<u>FUND BALANCE</u> - Beginning of Year	81,098	81,098	111,766	30,668	100,843	100,843	107,670	6,827	6,869	6,869	6,877	8
<u>FUND BALANCE</u> - End of Year	\$ 3,508	\$ (17,700)	\$ 98,576	\$ 116,276	\$ 153,143	\$ 153,143	\$ 162,360	\$ 9,217	\$ 7,019	\$ 11,427	\$ 10,433	\$ (994)

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	PUBLIC IMPROVEMENT FUND				BUILDING DEPARTMENT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	0	0	0	0	0	0	0	0
Fedral Grants	0	0	0	0	0	0	0	0
Charges for Services	0	0	0	0	16,500	22,500	29,598	7,098
Interest and Rents	1,500	1,500	886	(614)	50	50	59	9
Other Revenues	0	0	0	0	0	0	0	0
Total Revenues	1,500	1,500	886	(614)	16,550	22,550	29,657	7,107
<u>EXPENDITURES</u>								
Legislative	0	0	0	0	0	0	0	0
General Government	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	14,100	23,551	23,801	(250)
Public Works	0	0	0	0	0	0	0	0
Community and Economic Development	0	0	0	0	0	0	0	0
Recreation and Cultural	0	0	0	0	0	0	0	0
Other Functions	0	0	0	0	0	0	0	0
Contingency	0	0	0	0	0	0	0	0
Total Expenditures	0	0	0	0	14,100	23,551	23,801	(250)
Excess (Deficiency) of Revenues Over Expenditures	1,500	1,500	886	(614)	2,450	(1,001)	5,856	6,857
<u>OTHER FINANCING SOURCES (USES)</u>								
Operating Transfers In	10,000	10,000	0	(10,000)	0	0	0	0
Operating Transfers Out	(10,000)	(10,000)	0	10,000	0	0	(42)	(42)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	(42)	(42)
Excess of Revenues and Other Sourves Over (Under) Expenditures and Other Uses	1,500	1,500	886	(614)	2,450	(1,001)	5,814	6,815
<u>FUND BALANCE</u> - Beginning of Year	85,305	85,305	85,541	236	1,001	1,001	3,125	2,124
<u>FUND BALANCE</u> - End of Year	\$ 86,805	\$ 86,805	\$ 86,427	\$ (378)	\$ 3,451	\$ 0	\$ 8,939	\$ 8,939

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 44
Savings Account	99,979
Taxes Receivable	14,928
Due from Other Funds	1,028
Due from Other Governments	<u>27,082</u>
 TOTAL ASSETS	 \$ 143,061

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 35,226
Payroll Liabilities	2,565
Deferred Revenue	498
Due to Other Funds	<u>6,196</u>
 Total Liabilities	 \$ 44,485

FUND BALANCE

Unreserved	<u>98,576</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 143,061

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 86,500	\$ 82,531	\$ (3,969)
State Grants	181,000	181,633	633
Federal Grants	0	2,230	2,230
Charges for Services	15,100	14,447	(653)
Interest and Rents	500	405	(95)
Other Revenues	9,000	6,702	(2,298)
Total Revenues	\$ 292,100	\$ 287,948	\$ (4,152)
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 34,800	\$ 27,209	\$ 7,591
General Government			
Supervisor	9,850	9,228	622
Election	2,800	2,671	129
Assessor	15,400	15,089	311
Clerk	16,100	15,745	355
Board of Review	2,100	2,022	78
Treasurer	14,450	13,692	758
Building and Grounds	8,000	7,959	41
Cemetery	28,440	26,725	1,715
Public Safety	80,600	79,745	855
Public Works	126,050	59,271	66,779
Community and Economic Development	11,100	9,612	1,488
Recreation	1,000	684	316
Other Functions	26,700	28,020	(1,320)
Contingency	10,000	0	10,000
Total Expenditures	\$ 387,390	\$ 297,672	\$ 89,718
Excess of Revenues Over (Under) Expenditures	\$ (95,290)	\$ (9,724)	\$ 85,566

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	0	42	42
Operating Transfers Out	(3,508)	(3,508)	0
Total Other Financing Sources (Uses)	\$ (3,508)	\$ (3,466)	\$ 42
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (98,798)	\$ (13,190)	\$ 85,608
<u>FUND BALANCE</u> - Beginning of Year	81,098	111,766	80,503
<u>FUND BALANCE</u> - End of Year	\$ (17,700)	\$ 98,576	\$ 166,111

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Current Property Tax	\$ 60,682	
Interest and Penalties on Delinquent Taxes	3,167	
Property Tax Administrative Fee	<u>18,682</u>	
Total Taxes		\$ 82,531

STATE GRANTS

State Revenue Sharing	\$ 178,327	
Metro Act	<u>3,306</u>	
Total State Grants		181,633

FEDERAL GRANTS

Fire Department Grant		2,230
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CHARGES FOR SERVICES

Grave Openings and Foundation Charges	\$ 7,310	
Summer Tax Collection	2,050	
Dog License Fees	87	
Fire Protection	<u>5,000</u>	
Total Charges for Services		14,447

INTEREST AND RENTS

Interest Earnings		405
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OTHER REVENUES

Cable Television Franchise	\$ 955	
Cemetery Lot Sales	3,550	
911 Signs	395	
Insurance Reimbursements	1,052	
Public Hearings	<u>750</u>	
Total Other Revenues		<u>6,702</u>
Total Revenues		\$ 287,948

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2005

OTHER FINANCING SOURCES

Transfer In

Building Department Fund

42

Total Revenues and Other Financing Sources

\$ 287,990

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages - Officers \$ 4,000

Salaries and Wages - Clerical 14,545

Other Services and Charges

Professional Services 4,057

Printing and Publishing 1,368

Miscellaneous 3,239

Total Legislative \$ 27,209

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 9,000

Supplies

Office Supplies 37

Other Services and Charges

Education and Training 70

Travel 121 \$ 9,228

Elections

Personal Services

Salaries and Wages \$ 1,656

Supplies

Office and Operating Supplies 777

Other Services and Charges

Travel 189

Miscellaneous 49 2,671

Assessor

Personal Services

Salaries and Wages \$ 13,000

Supplies

Office and Operating Supplies 1,357

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Other Services and Charges		
Software	615	
Travel	117	15,089
Clerk		
Personal Services		
Salaries and Wages	\$ 10,000	
Salaries and Wages - Deputy	3,500	
Supplies		
Office Supplies	97	
Other Services and Charges		
Computer Support	1,758	
Travel	247	
Education and Training	70	
Miscellaneous	73	15,745
Board of Review		
Personal Services		
Salaries and Wages	\$ 2,000	
Other Services and Charges		
Education and Training	22	2,022
Treasurer		
Personal Services		
Salaries and Wages	\$ 12,000	
Supplies		
Office Supplies	1,164	
Other Services and Charges		
Software	420	
Travel and Education	108	13,692
Building and Grounds		
Supplies		
Maintenance Supplies	\$ 2,441	
Other Services and Charges		
Communications	1,484	
Public Utilities	1,887	
Repairs and Maintenance	2,147	7,959

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Cemetery

Personal Services

Salaries and Wages \$ 2,113

Other Services and Charges

Contracted Services 19,133

Insurance 1,449

Public Utilities 99

Repairs and Maintenance 3,898

Gas and Oil 33 26,725

Total General Government

93,131

PUBLIC SAFETY

Fire Protection

Personal Services

Salaries and Wages \$ 17,634

Supplies

Operating Supplies 12,370

Other Services and Charges

Communications 1,224

Contracted Services 2,932

Central Dispatch 4,191

Insurance 8,606

Repairs and Maintenance 23,270

Public Utilities 2,774

Gas and Oil 2,169

Education and Training 1,544

Capital Outlay 3,031

Total Public Safety

79,745

PUBLIC WORKS

Street Lighting

Other Services and Charges

Public Utilities \$ 3,709

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2005

Highways, Streets, and Bridges		
Other Services and Charges		
Repairs and Maintenance	34,993	
Dust Control	<u>20,569</u>	
Total Public Works		59,271

COMMUNITY AND ECONOMIC DEVELOPMENT

Planning and Zoning		
Personal Services		
Salaries and Wages	\$ 9,575	
Supplies		
Office Supplies	<u>37</u>	
Total Community and Economic Development		9,612

RECREATION

Recreation and Parks		
Other Services and Charges		
Miscellaneous		684

OTHER FUNCTIONS

Insurance and Bonds	\$ 5,250	
Employee Benefits		
Pension Contribution	\$ 15,628	
Medicare and Social Security	<u>7,142</u>	<u>22,770</u>
Total Other Functions		<u>28,020</u>
Total Expenditures		\$ 297,672

OTHER FINANCING USES

Transfer Out		
Fire Building Fund		<u>3,508</u>
Total Expenditures and Other Financing Uses		<u><u>\$ 301,180</u></u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE EQUIPMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Savings Account	\$ 156,203
Due from Other Funds	<u>6,157</u>
 TOTAL ASSETS	 <u><u>\$ 162,360</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Fire Equipment	<u>162,360</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 162,360</u></u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes			
Current Property Taxes	\$ 50,000	\$ 54,149	\$ 4,149
Delinquent Property Taxes	2,000	0	(2,000)
Interest and Rents			
Interest Earnings	300	541	241
Total Revenues	\$ 52,300	\$ 54,690	\$ 2,390
<u>EXPENDITURES</u>	0	0	0
Excess of Revenues Over (Under) Expenditures	\$ 52,300	\$ 54,690	\$ 2,390
<u>FUND BALANCE</u> - Beginning of Year	100,843	107,670	6,827
<u>FUND BALANCE</u> - End of Year	\$ 153,143	\$ 162,360	\$ 9,217

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE BUILDING FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Savings Account	<u>\$ 10,433</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Liabilities	\$ 0
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FUND BALANCE

Designated for Fire Buildings	<u>10,433</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,433</u>
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CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

FIRE BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Charges for Services	\$ 1,000	\$ 0	\$ (1,000)
Interest and Rents			
Interest Earnings	50	48	(2)
Total Revenues	\$ 1,050	\$ 48	\$ (1,002)
<u>EXPENDITURES</u>	0	0	0
Excess of Revenues Over (Under) Expenditures	\$ 1,050	\$ 48	\$ (1,002)
<u>OTHER FINANCING SOURCES</u>			
Transfers In			
General Fund	3,508	3,508	0
Excess of Revenues and Other Sources Over (Under) Expenditures	\$ 4,558	\$ 3,556	\$ (1,002)
<u>FUND BALANCE</u> - Beginning of Year	6,869	6,877	8
<u>FUND BALANCE</u> - End of Year	\$ 11,427	\$ 10,433	\$ (994)

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

PUBLIC IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Savings Account	\$ 6,384
Certificates of Deposit	<u>80,043</u>
 TOTAL ASSETS	 <u><u>\$ 86,427</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Unreserved	
Designated for Public Improvement	<u>86,427</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 86,427</u></u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

PUBLIC IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Interest and Rents			
Interest Earnings	\$ 1,500	\$ 886	\$ (614)
<u>EXPENDITURES</u>	0	0	0
Excess of Revenues Over (Under) Expenditures	\$ 1,500	\$ 886	\$ (614)
<u>FUND BALANCE</u> - Beginning of Year	85,541	85,541	0
<u>FUND BALANCE</u> - End of Year	\$ 87,041	\$ 86,427	\$ (614)

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

BUILDING DEPARTMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Savings Account	\$ 8,900
Due from Other Funds	39
	<hr/>
TOTAL ASSETS	<u>\$ 8,939</u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Building Inspections	8,939
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,939</u>

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

BUILDING DEPARTMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Charges for Services			
Permits	\$ 22,500	\$ 29,598	\$ 7,098
Interest and Rents			
Interest Earnings	50	59	9
Total Revenues	\$ 22,550	\$ 29,657	\$ 7,107
<u>EXPENDITURES</u>			
Public Safety			
Building Inspection Department			
Other Services and Charges			
Contracted Services	23,551	23,801	(250)
Excess of Revenues Over (Under) Expenditures	\$ (1,001)	\$ 5,856	\$ 6,857
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out			
General Fund	0	(42)	(42)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (1,001)	\$ 5,814	\$ 6,815
<u>FUND BALANCE</u> - Beginning of Year	1,001	3,125	2,124
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 8,939	\$ 8,939

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2005

ASSETS

	Balance			Balance
	April 1, 2004	Additions	Reductions	March 31, 2005
Cash on Deposit				
Commercial and Money Market Account	\$ 1,029	\$ 1,698,489	\$ (1,698,490)	\$ 1,028

LIABILITIES

Due to Other Funds	\$ 1,029	\$ 121,876	\$ (121,877)	\$ 1,028
Due to Other Governments	0	1,564,491	(1,564,491)	0
Due to Other Organizations and Individuals	0	12,122	(12,122)	0
 TOTAL LIABILITIES	 \$ 1,029	 \$ 1,698,489	 \$ (1,698,490)	 \$ 1,028

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF 2004 WINTER PROPERTY TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County		\$	497,453	
Township				
Operating	\$	60,682		
Fire Equipment		54,149	114,831	
Schools				
Grant Public Schools	\$	306,236		
Kent City Community Schools		149,981		
Ravenna Public Schools		23,766	479,983	
Intermediate Schools				
Newago County Intermediate	\$	158,031		
Muskegon Area Intermediate		9,345	167,376	\$ 1,259,643

TAXES COLLECTED

County		\$	440,915	
Township				
Operating	\$	53,786		
Fire Equipment		47,995	101,781	
Schools				
Grant Public Schools	\$	275,728		
Kent City Community Schools		130,521		
Ravenna Public Schools		17,780	424,029	
Intermediate Schools				
Newago County Intermediate	\$	142,608		
Muskegon Area Intermediate		7,737	150,345	1,117,070

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF 2004 WINTER PROPERTY TAX ROLL
MARCH 31, 2005

TAXES RETURNED DELINQUENT

County		\$	56,538	
Township				
Operating	\$	6,897		
Fire Equipment		6,154	13,051	
Schools				
Grant Public Schools	\$	30,507		
Kent City Community Schools		19,460		
Ravenna Public Schools		5,985	55,952	
Intermediate Schools				
Newago County Intermediate	\$	15,423		
Muskegon Area Intermediate		1,609	17,032	\$ 142,573

CASNOVIA TOWNSHIP, MUSKEGON COUNTY
CASNOVIA, MICHIGAN

STATEMENT OF 2004 SUMMER PROPERTY TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County		
State Education Tax	\$	331,658
School		
Kent City Community Schools		149,981
Intermediate School		
Kent Intermediate	<u>114,297</u>	\$ 595,936

TAXES COLLECTED

County		
State Education Tax	\$	306,605
School		
Kent City Community Schools		136,303
Intermediate School		
Kent Intermediate	<u>103,531</u>	<u>546,439</u>

TAXES RETURNED DELINQUENT

County		
State Education Tax	\$	25,053
School		
Kent City Community School		13,678
Intermediate School		
Kent Intermediate	<u>10,766</u>	<u>\$ 49,497</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 18, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Casnovia Township
Muskegon County
Casnovia, Michigan

During the course of our audit of the basic financial statements of Casnovia Township for the year ended March 31, 2005, we noted the following:

Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Casnovia Township for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

Act 621 (Uniform Budgeting and Accounting Act)

1. Public Act 621 states that the budget document that the Township adopt include the following financial information:
 - a. The actual results from the prior year
 - b. An estimate of the current year results
 - c. The proposed budget for the upcoming year
 - d. Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

2. Expenditures exceeded appropriations in the General Fund, Other Functions and in the Building Department Fund. The Township should amend individual fund budgets prior to incurring expenditures in excess of budgeted amounts.

GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past.

Some of the more significant changes required by GASB 34 are as follows:

1. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
2. Several new types of financial statements are now included that reports financial information on a Township-wide basis and incorporates capital assets, a provision for depreciation on those assets as well as long-term liabilities of the Township.

General Recordkeeping

The accounting records for the year ended March 31, 2005, were found to be in good order and in compliance with the State's uniform accounting system. We commend the Clerk and Treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 18, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Casnovia Township
Muskegon County
Casnovia, Michigan

In planning and performing our audit of the basic financial statements of Casnovia Township, Muskegon County, Casnovia, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.